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ARIZONA CORPORATION COMMISSION

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February 9, 2007

Mr. Wayne Watts
Senior Vice President and Associate General Counsel
AT&T
175 E. Houston Street, Room 1230
San Antonio, TX 78205

Re: AT&T's Recent Decision to Lay Off 123 Arizona Employees; Docket Nos. T-03346A-05-0149, T-02428A-06-0203

Dear Mr. Watts:

Pursuant to Decision Nos. 68269 and 68865, the Commission was recently notified of AT&T's decision to lay off 123 employees based primarily in Mesa. The reduction in AT&T's employment base as a result of the Company's Merger with BellSouth is of great concern to me. It was approximately one year ago that 47 employees from AT&T's Small Business Customer Care Center in Mesa were let go in the wake of the AT&T Merger with SBC, and as a result of the most recent layoffs, AT&T will have a much reduced footprint in Arizona.

These layoffs also represent a departure from statements made by the Parties during the hearings and Open Meeting held by the Commission regarding the AT&T/BellSouth Merger application. During those proceedings, AT&T and BellSouth officials suggested that there would likely not be significant layoffs or facility closings in Arizona because few redundancies existed between the two Companies' operations here.¹

Despite the pre-Merger rhetoric to the contrary, more than 170 Arizona AT&T employees have lost their jobs or have been forced to relocate as a result of the two Mergers. It is a situation that causes me to worry about the fate of AT&T's remaining workforce and operations in Arizona and requires me to pose several questions to the Company.

¹ See transcript of BellSouth/AT&T hearing, July 6, 2006 at pg. 48, in which Mr. James Harralson, vice president and associate general counsel of BellSouth, stated that "It doesn't mean that we are looking to, in fact I don't know of any plans for center closings, particularly in Arizona, that would be associated with our services." Mr. Harralson went on to state that there were no plans for layoffs by BellSouth, because BellSouth had no employees in the state. See also transcript at pg. 67, where Mr. Rick Moore, managing director of corporate development for AT&T, stated that "There are presently no plans for layoffs arising from this Merger. And I would expect that Merger-related reductions are unlikely as a result of this transaction." Additionally, during testimony in the Merger between AT&T and SBC, under questioning by the Company's attorney, AT&T witness Thomas C. Pelto stated that it was unlikely that forced reductions would be required after that Merger since AT&T and SBC had few, if any, overlapping operations in the state; See also transcript from Nov. 2, 2005 Open Meeting at pg. 13. And see testimony of Commission Staff Witness Armando Fimbres at pg. 13-14.

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First, please inform the Commission of the apparently changed circumstances which necessitated the most recent round of layoffs.

Second, following the most recent layoffs, how many employees will AT&T have left in Arizona? How does this number compare with the number of AT&T employees in Arizona in 1999?

Third, what is AT&T doing to expand its Arizona presence or at least prevent future layoffs? As a result of the AT&T/SBC and AT&T/BellSouth Mergers, the Commission required the merged entity to file a yearly Consumer Benefits Report. In its 2006 Consumer Benefits Report, AT&T lists a number of technical benefits, upgrades to its network, increased Research and Development at AT&T Labs and expansion of AT&T's Voice Over Internet Protocol ("VOIP") offerings as benefits accruing to Arizona consumers associated with the Merger. Will these new offerings result in AT&T choosing to increase its Arizona workforce? If not, why?

Fourth, what are AT&T's plans with regard to the Company's existing Phoenix facilities, specifically, those located at 1355 W. University Drive and 211 W. Monroe Street? Does AT&T plan to keep these facilities open and in what capacity?

Finally, what is AT&T doing to maintain and improve its long-distance fiber network in Arizona as well as the equipment the Company utilizes to switch long-distance calls? Will these facilities be upgraded and will any jobs be added as a result of these upgrades? How will the latest layoffs affect AT&T's ability to maintain the fiber network in Arizona?

I remain concerned about the ongoing drain of Arizona jobs resulting from consolidation in the telecommunications industry, and I strongly urge AT&T to consider the effect of these layoffs on the individuals involved as well as on the economy of the East Valley.

Sincerely,



Kris Mayes
Commissioner

Cc: Chairman Jeff Hatch-Miller
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